The Monthly Magazine for Food and Agricultural Exporters

AgExporter

United States Department of Agriculture
Foreign Agricultural Service

March 2001

Ireland
With the Economic Wind at its Back

Access to India: Relaxed Restrictions, Streamlined Trade

Fresh Veggie Exports: Balanced Diet for California's Balance Sheet

The Magazine for Business Firms Selling U.S. Farm Products Overseas

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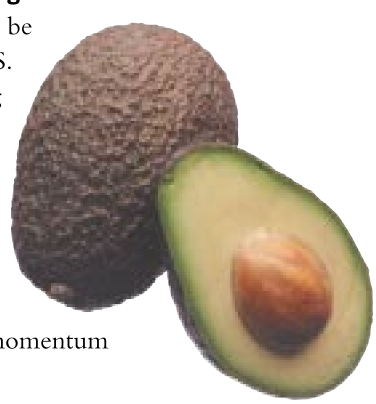
Features



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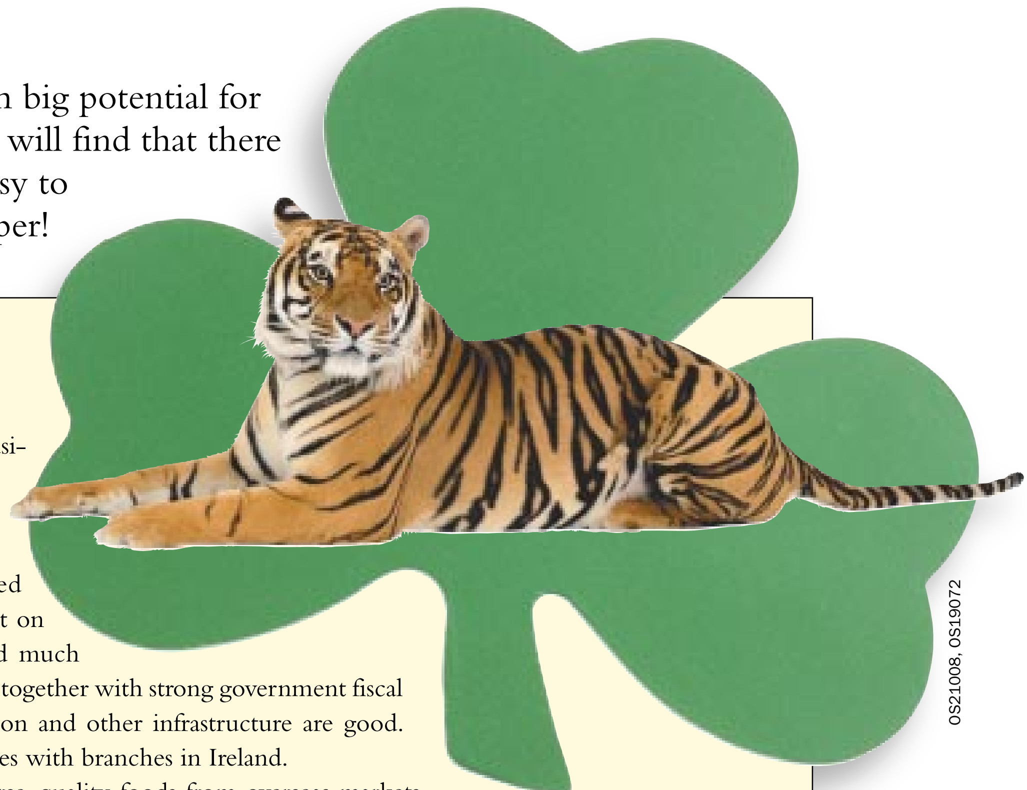
Feeding the Celtic Tiger: Ireland's Strong Economy Wants Imports

By Mike Hanley

Ireland is a small country, with big potential for U.S. exporters. Agribusinesses will find that there are ample opportunities–as easy to discover as opening a newspaper!



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Good News: Irish Economy on a Roll

Ireland was always a good place to do business. However since the mid-1990's, as the Celtic Tiger blossomed from a cub, the economy has boomed. The availability of a highly educated workforce, which was once dependent on emigration for employment, attracted much needed foreign direct investment. This, together with strong government fiscal policy, created the boom. Transportation and other infrastructure are good. There are now over 550 U.S. companies with branches in Ireland.

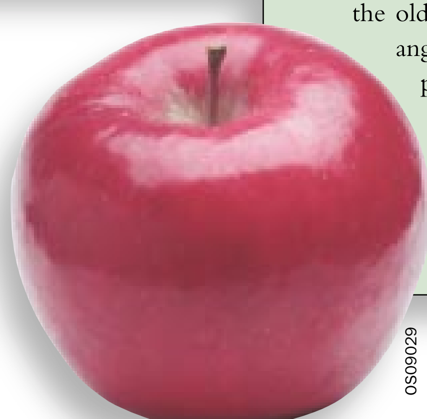
Consumer demand for more diverse, quality foods from overseas markets has resulted in niche market opportunities for exporters from the United States and elsewhere, according to Thomas Hamby, U.S. Minister Counselor for Agricultural Affairs at the American Embassy in London.

So will it be hard to find products for the Irish palate? Hardly! Finding opportunities in the Emerald Isle is as simple as learning your ABCs!

An Opportunity for Fruitful Trade

Irish farmers have no problem raising a wide range of vegetables; however, the old sod seems little disposed to production of mangos and oranges. Africa and southern members of the European Union supply much of the fruit, but U.S. apples, pears and citrus do make a presence.

U.S. fruit producers could do more with the right marketing. Strong marketing efforts for U.S. pears, for example, have helped them gain significant market acceptance over European brands.



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A Is for Alcoholic Beverages

U.S. wine exports to Ireland now hold a 12-percent share of the country's imports and continue to grow. The success of U.S. wines in sustaining such a market share reflects the wisdom of a few vintners who market their product at a popular price of about $7 a bottle.

According to Peter Dunne, director of Mitchell and Sons, one of the oldest wine stores in Dublin, the Irish wine market has performed remarkably in the past 10 years— outstripping growth in other European Union (EU) markets. Irish wine consumers, says Dunne, are becoming more and more sophisticated; small U.S. boutique wines are widely sought after. Dunne points out that a few U.S. vintners have recognized this and have actually reserved a certain percentage of their products for this market.

Import and excise duties account for almost half of that retail price. Irish consumers have a vast array of wines available to choose from, and are always eager to try something new, so brand loyalty at the lower price bracket is difficult to maintain.

The main competition continues to be from the EU, Australia and New Zealand. Strong marketing by Chile and even more so by South Africa during the past few years have increased their market shares.

Even with the nation's reputation for brewing good stout and ale, Irish consumers buy U.S. beer. In fact, Irish beer distributors continue to seek out new brands, especially those aimed at niche markets. Potential exists for microbreweries to enter the market–and there is also interest in low-alcohol and non-alcoholic beers.

Making Your Irish Entry

Grocery retailing in Ireland has for years been structured around major supermarket chains in major cities, with smaller groceries in villages and neighborhoods.

In Ireland as elsewhere, the supermarket world is going through an upheaval as modernization takes over; three-quarters of the retail market is controlled by supermarket chains and independent stores, operating under a franchise group name. Irrevocably, consolidation is gaining ground.

Irish retailers know what they want–as well they should, traveling extensively to international trade shows.

Retailers generally use an importer to bring the world to their customers. They count on importers and distributors to handle the logistics and paperwork.

Initial contact with the main supermarket chains should be made by mail or e-mail. FAS' Agricultural Affairs Office in Dublin can provide exporters with current addresses and contact information.

B Is for Breakfast and Biscuits

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Trade sources currently value the Irish breakfast cereal market at $130 million. The main players are cereal producers in the United Kingdom and Ireland, but opportunities exist for the United States to move into this value-added market.

Think in terms of cold cereal, as the hot breakfast cereal market is dominated by Irish oat-based brands. Cold cereals that are organic or "natural" might have an advantage.

Biscuits–which is what Irish consumers call cookies–represent a $170- million market, with a volume of 30,000 metric tons. While the market is dominated by regional producers, there are opportunities for U.S.-style cookies, as well as bagels.

Think Irish palates won't be tickled by U.S. tastes? Think again. The Irish press reported the success of two Irish-American sisters who opened a U.S. bagel chain store and found themselves very busy at lunchtime, thanks to nearby businesses.

Domini Kemp, co-owner of the chain, says that the recent strong economy has resulted in the return of a large number of Irish citizens living abroad. Now that Irish tastes have become correspondingly more global and sophisticated, there is a passion for gourmet foods. Testament to this is her thriving business at the retail level, her growing distribution network for bagels and her retail expansion plans.

The popularity of the bagels–as well as cookies and other baked goods that can serve as snacks–makes sense. Trade sources say that the Irish rank as the second-largest per capita consumers of snacks. The United States could achieve significant growth in this sector–valued at $150 million at the retail level.

C Is for Condiments

Irish consumers' interest in foods from beyond their shores is manifest in their purchases of sauces, a market valued at $40 million. Everything goes, from Asian-style stir-fry ingredients to Jamaican jerk sauce.

William Rochford of Dublin-based BR Marketing was quick to recognize the changing attitudes toward foods in Ireland. Rochford said that Irish people are generally quality oriented. While prepared foods are gaining market acceptance, Irish people still like to cook and are eager to try different tastes.

Rochford noted that Ireland's close cultural links with the United States help U.S. brands to succeed in the marketplace. But he advised that the Irish consumer generally ranks quality and taste before price. He also said that U.S. exporters can help with their own success by providing promotional support such as point-of-sale material and advertising backup.

Their favorite country of sauces, is Italy. Pasta sauce now accounts for 30 percent of all sales in this market, and is growing at the rate of about 10 percent annually.

Niche market opportunities exist in this sector since consumers are tiring of traditional pasta sauces and now look for brands that incorporate non-Italian flavors.

One key difference: often these not-for-spaghetti sauces are packaged in powder form. They are usually flavorings for meats or fish. Trade sources expect the market for these power powders will grow; it is generally believed that Tex-Mex flavors have the best potential.

A Nation Gone to the Dogs

2080

The image of an Irish farmer with his faithful hounds at his feet, seated beside the turf fire, is almost a sentimental cliche. It is true, however, that Ireland is a nation of dog lovers.

Statistics show that almost half of the nation's 1.5 million households have dogs. And what does an Irish hound feast on? Often, it's table scraps. Less than half of all owners buy pet foods.

Fortunately for pets and pet food exporters, veterinarians have long maintained that human food may be too rich and unhealthy for canines. The total pet food market in Ireland is estimated to be $76 million, with dog food accounting for almost two-thirds of those sales. Dry dog food has shown substantial growth in the past few years.

Cat food sales are also on the rise as more urban pet owners favor felines over Fido.

Fishing for Better Exports

At first, the thought of exporting fish to Ireland seems counterintuitive. This is a country where fishermen are legendary national icons, revered as much as cowboys in the United States. An island on which no home stands more than 60 miles from the sea . . .

The truth is, Irish consumers are choosing fish more and more in the wake of Bovine Spongiform Encephalitis fears.

And, while the Atlantic Ocean is good to Ireland, it's natural that Irish consumers would want a little variety in their seafood. Fish native to the United States could provide the flavor break their taste buds seek.

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A Passage to the Indian Market Could Start With Horticultural Products

By Ted Goldammer

Nuts, fresh and dried fruits and vegetables, and wine are just a few of the items that could be making inroads into the Indian market now that the government is lifting import restrictions on a wide variety of products.

Rising living standards and the expanding number of middle-class consumers (perhaps as many as 200 million) are expected to lead to increased food imports as consumers demand more variety and greater quality of food products. Horticultural products, in particular, may find a ready market in India.

Although the country remains primarily rural, India is becoming increasingly urban with more than 60 million Indians living in the eight largest cities. The population is growing at 2 percent or 20 million annually, which is equivalent to the entire population of Australia.

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Self-Sufficiency Was Long a Goal

With self-sufficiency as its goal for over four decades, the Indian government controlled the country's agriculture by subsidizing and regulating the domestic market. This policy insulated India's agriculture from outside competition, resulting in an industry fraught with inefficiencies.

Some economic reforms over the past few years have made progress by improving production technologies and by expanding and diversifying the agriculture sector.

For example, the Indian government is slowly upgrading handling and storage facilities for agricultural products. But more work is needed in this area since fruits and vegetables suffer heavy damage or deterioration—sometimes as much as 35 percent—during post-harvest handling.

A Shift in Trade Policy

As the world's second-most populous country, with a population of 1 billion, India would appear to be a natural market for U.S. products. India's trade policy, however, has effectively prohibited imports of most agricultural goods through the use of quantitative import restrictions. Since independence in 1947, tariffs, quotas, import licensing and state monopolies became the mainstays of India's trade policy. The result was a virtual ban on imports of agricultural products.

Until 1991, the Indian market was closed to imports of most agricultural and consumer food products because of licens-

THE BIGGEST COMPETITION THAT THE UNITED STATES FACES IN EXPORTING TO INDIA IS INDIA ITSELF.

ing and quota restrictions. During 1991-97, quotas were lifted for some products but at this point essentially all major agricultural products were on the negative import list that required licenses and quotas.

The First Steps of Liberalization

The first major step towards liberalization occurred in 1997 when the government announced its five-year (1997-2002) Export-Import Policy. Import licensing restrictions (which had effectively banned imports) were fully or partially lifted on several food items by moving them from the negative import list to Open General License (OGL), making them freely importable.

In 1998 and 1999, the government moved roughly 470 agricultural products onto the OGL, opening the market for more consumer food products with the exception of meat and poultry products, some fruits and vegetables, food grains and some processed food items.

In late 1999, India agreed to eliminate all quantitative restrictions for more than 1,400 agricultural products. Half of the restrictions were lifted within three months of the agreement date, while the remaining half of the restrictions will be lifted by April 1, 2001.

When the remaining tariff line items come off the negative import list, India's agricultural and consumer product imports will be free of quotas. This agreement follows a ruling by the World Trade Organization after the United States challenged India's claim that its balance-of-payments situation justifies import restrictions.

High tariffs and duties will continue to be used to limit imports in the near term, but the removal of quantitative restrictions marks an important shift toward more transparent and equitable trade policy.

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Best Products Review

Although access for imported agricultural products remains limited, the market potential for fruit and vegetable exports to India over the next decade is promising.

The recent lifting of import licensing restrictions on several food products and the reduction in the bound tariff rate for most of these food products, albeit at high applied duties, will provide opportunities for U.S. horticultural imports.

Because most of India's people have low incomes, domestic demand is mainly for basic, low-priced staples such as rice, bread, peas and lentils. However, horticultural imports have risen since the lifting of restrictions, and the increase is expected to continue; tree nuts, apples, pears, table grapes, frozen potato fries, dried fruit and wine have the highest import potential.

Here's a brief snapshot of the opportunities for exporters of horticultural products.

Tree Nuts. Ongoing trade negotiations with India since 1988 have succeeded in opening this market for U.S. **almonds**. By

High Tariffs Still the Rule

Despite reforms, Indian tariffs are still among the highest in the world (15-35 percent on most food products), especially for goods that can be produced domestically.

Imports are also subject to additional duties, including a surcharge on the basic duty, additional (or popularly known as countervailing) duty, which corresponds to excise taxes on similar domestically produced goods, and a special additional duty (SAD), also known as the "*swadeshi* tax."

The Indian tariff structure contains a range of exemptions for imports of products that are to be further processed for export.

The basic duty, usually ad valorem, normally has four gradations: 5 percent, 15 percent, 25 percent and 35 percent. However, imports of some commodities attract higher duties (50-100 percent) to provide protection to domestic producers of politically sensitive commodities or products such as sugar and poultry.

Import duties on liquor vary from 100 to 210 percent. A zero duty applies to only a very few basic commodities. The surcharge on the basic duty is a uniform 10 percent, applicable to all commodities except certain GATT-bound products. In effect, the surcharge raises the basic duty by 10 percent (5 percent basic duty becomes 5.5 percent; 15 percent becomes 16.5 percent, and so on).

The countervailing duty is equal to the excise duty on similar products. The SAD is purported to be the equivalent of local sales taxes and similar levies applicable on similar domestic goods and is computed on the aggregate of assessed value, basic duty (including surcharge) and countervailing duty. Consequently, the total duty on imports of food products can vary from 16 percent to 67 percent.

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the end of 2000, these efforts had helped U.S. almond exports to reach sales estimated at $60 million, making India our ninth largest market. India imports most of its almonds from the United States (approximately 95 percent), with the rest coming from Afghanistan and Iran. These latter imports have more to do with tradition than quality.

Indian importers primarily buy in-shell almonds because the tariff is lower than that for shelled almonds. According to industry estimates, the elimination of India's duty on in-shell almonds would result in an increase of U.S. almond exports to India of approximately $100 million.

The almonds can be shelled by hand because of the low cost of labor and resold within India. Hand-shelling results in almonds that are virtually free of blemishes, far superior to mechanically shelled almonds.

Almonds are very much a part of the cultural eating patterns of Indians, who consume them primarily as a food ingredient, rather than as a snack. Winter months account for about 75 percent of total sales.

Possible Pistachio Purchases

India's major supplier of pistachios is Iran, accounting for almost all shipments. Until recently the market potential for U.S. **pistachios** was limited due to licensing requirements and availability of lower priced Iranian nuts. However, with the elimination of import licensing, their market potential has significantly improved.

Iranian pistachios are primarily used for processing and are considered to be greener and chewier than U.S. pistachios.

U.S. pistachios are considered much better for snacking, but will have to overcome consumers' lack of familiarity with their characteristics.

A Year-Round Appetite for Fruit

Export prospects for U.S. **apples** are good. Although the domestic market is extremely price-sensitive, consumers are prepared to pay a premium for high-quality apples, particularly during the off-season (March-July).

Unlike the seasonal demand for most other fruits, Indian consumers have a year-round appetite for apples. Red Delicious apples make up most of the imports because they are the preferred variety, but many traders believe there is opportunity for other varieties such as Fuji, Gala, Golden Delicious, Granny Smith and Braeburn.

U.S. apples are being wholesaled in Mumbai at about $1.35 per kilogram, compared with $0.30 to $0.50 per kilogram for domestically grown apples. High-quality apples reportedly receive a premium of 30-50 percent depending on the season and market.

Market sources expect U.S. exports to increase but expect stiff competition from Australia and New Zealand, which are gaining a presence in the Indian market. Australia has a strong presence in southern India, while South Africa and New Zealand are more active in the north.

While India is a domestic producer of fruit, there is little production of **pears**. One constraint to U.S. exports could be the lack of familiarity with the product, but Indian importers who have experience with pears believe this isn't an issue.

The absence of a domestic pear industry will certainly make it easier to reduce the tariffs for pear imports, unlike commodities that have organized domestic industries.

Although India already produces **table grapes**, the market could still be a multi-million-dollar one for California grapes, as evidenced by the rapid growth of India's own table grape industry. And though there is some anticipated resistance by Indian grape growers, this should not be a major obstacle since India's grape harvest is counter-seasonal to that of California.

However, the lack of adequate cold storage facilities may be an obstacle, as could the recent increase in the bound tariff on table grapes from 30 to 40 percent.

The key market for table grapes is northern India, particularly Mumbai and New Delhi, where incomes are higher and there is greater awareness of the product because of familiarity with grapes from Afghanistan. Consumers prefer table grapes that are much sweeter (19-22° Brix[1]) than what is typically consumed throughout the world (17-19°). In addition, consumers prefer a yellowish-green color (Thompson Seedless) and a more elongated grape.

[1] *A measurement of sugar solutions or sweetness.*

HIGH TARIFFS AND DUTIES WILL CONTINUE TO BE USED TO LIMIT IMPORTS IN THE NEAR TERM, BUT THE REMOVAL OF QUANTITATIVE RESTRICTIONS MARKS AN IMPORTANT SHIFT TOWARD A MORE TRANSPARENT AND EQUITABLE TRADE POLICY REGIME.

Frozen Fries Market Stays Hot

India is one market where the export opportunities for **frozen potato fries** are promising given the sound economy, market reforms and the ever-changing lifestyle. A faster pace of life and a demand for quality, variety and convenience in food products consistent with the patterns observed in other markets, coupled with the large population, translate into enormous potential for frozen potato fries.

As in other markets, the primary way to sell these fries is through international fast-food restaurants, which are steadily expanding.

The United States is well positioned to compete in the frozen potato sector since competition from domestic supply is nonexistent. The United States has about a 50-percent share of frozen potato imports, with Australia accounting for the balance. The Netherlands and Canada also export to this market, but in very small quantities.

Unfortunately, India's distribution chain for frozen foods is inadequate, which will obviously be a major constraint for developing the market. Fortunately, most of the international fast-food chains have their own cold storage facilities and should be able to service future demand without having to build additional facilities.

Raisin' Sales of Raisins and Other Dried Fruit

The market potential for U.S. **raisins** shows promise but may be limited due to the higher landed prices of U.S. raisins as well the preference for light-colored raisins. Indians prefer golden raisins because they are drier, not too sticky and sweeter. However, there is some preference for dark raisins in southern India because of traditional usage as a food ingredient.

Despite a prohibitively high tariff, India imports small quantities of raisins, primarily from Afghanistan, Pakistan and China. Afghani raisins are very popular because of their plumpness. Imports from these countries have been declining over the years due to increased domestic production.

India may be one of the few frontiers left in the world where the U.S. could realize significant export growth in sales of **prunes** since it is already a strong market for dried fruits and nuts. Currently, Iran is the only exporter of prunes to India, but the prunes are considered to be of poor quality and very perishable.

Wine Is a Winner, But Restrictions Apply

There may be plenty of opportunity for wine sales to India, which is one of the largest alcohol beverage markets in the world. It represents roughly 10 percent of global consumption or roughly twice the size of the U.S. market.

However, India is also one of the world's most restricted markets, with an actual clause in the constitution that states that the state shall endeavor to enforce prohibition. Only four of India's 29 states are dry, with many exercising a monopoly control over wholesale distribution and/or retail sales.

There are considerable restrictions regarding wine advertising, licensing and manufacturing. Taxation rates are high and an important source of revenue to the government.

Despite these challenges, wine consumption has grown recently at a rate of 12 to 15 percent annually. U.S. wine exports to India are forecast to reach $200,000

A Profile of the Indian Market: Exports and Imports

Even though India remains a net agricultural exporter and is usually self-sufficient or a surplus producer of food grains, inadequate incomes leave millions malnourished.

India's exports of agricultural products were valued at $6.77 billion in 1998/1999. Leading exports were marine products, cashew nuts, rice, oilseed meals, coffee and tea. India's share in world agricultural trade is less than 1 percent.

India enjoys the unique distinction of being the single largest producer, consumer and exporter of spices in the world as well as the leading producer and exporter of cashews in the world.

India's agricultural exports to the United States are 10 times greater than U.S. agricultural exports to India ($100 million).

India's total agricultural imports were valued at $3.25 billion in 1998/99. Leading imports were vegetable oils, pulses, raw cashew nuts and wood and wood products.

India is the world's largest importer of vegetable oil and pulses. Because of India's restrictive trade policies, agricultural imports are small compared with the size of the domestic market. For food security purposes, the government occasionally imports significant quantities of wheat, particularly in the years of adverse domestic supply.

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and $350,000, respectively, in 2000 and 2001.

Although the current market for wine is quite small, there is the possibility that changes in alcoholic beverage consumption in India could mirror other countries where wine consumption is growing at the expense of beer and spirits.

Wine sales to hotels are increasing at a rate of 20 to 40 percent annually. Initially wine was sold in hotels that primarily catered to foreign visitors, but this is changing as more hotels that cater to Indians are also selling wine.

Hotels predominantly sell French wines, although in the past two to three years Australian and U.S. wine sales have increased. U.S. wines need to overcome lack of recognition in the Indian market.

Competition From at Home and Abroad

The biggest competition that the United States faces in exporting to India is India itself. Domestically grown fruits and vegetables, although generally of lower quality, pose a significant threat since domestic prices are generally lower than the prices of imported fruits and vegetables.

Almonds account for almost 90 percent of U.S. horticultural exports to India, followed by fruit and vegetable juices, apples, frozen potato fries and wine. Reducing government-imposed tariffs and duties may make these products more competitive.

Brazil, Australia, Canada and Argentina are the primary competitors of the United States in India's imported food market, and have taken market share away from U.S. suppliers over the past several years. The geographic proximity of New Zealand, Australia and some European countries gives them a freight advantage over the United States.

Europeans in general, and more specifically the English, have a long history of trade with India. The Australians are also strengthening their efforts to enter the Indian market.

U.S. fruit juice exports to India face competition from Brazil and the United Kingdom. U.S. apples primarily compete with New Zealand, Australia and South Africa. India imports preserved vegetables, such as tomatoes, from the United States and Switzerland. U.S. olive exports compete with Spain's. The United Kingdom and France are the main competitors for U.S. wine sales in India. India also imports fruits and nuts from Iran, Equatorial Guinea and Tanzania.

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OS01040

California: Exporting the Freshest Vegetables

By Elizabeth Mello

California–definitely *not* your grandfather's vegetable-marketing state. More than ever before, the focus is on bottom-line efficiencies: adding value and decreasing costs through streamlined distribution and increased responsiveness to customer needs.

About the only thing in today's market that's a certainty is change. In both food service and retail sectors, California's dynamic vegetable market is currently dominated by sales that move directly from shippers to the final buyers overseas.

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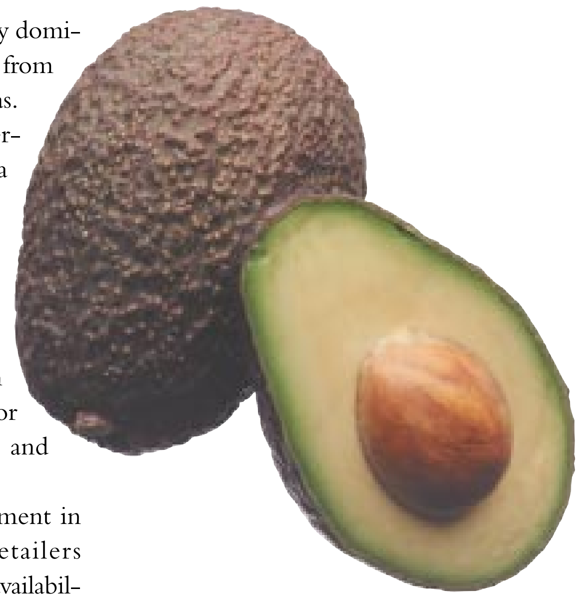
And watch out for that food service sector–each year, it absorbs a growing share of total volume.

Product form and packaging are evolving as more firms introduce value-added products like fresh-cut produce, designed to respond to the growing demand both domestically and internationally for convenience in food preparation and consumption.



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Fresh produce is a critical element in the competitive strategy of retailers throughout the world; year-round availability is now a necessity for both food service and retail buyers.

ABOUT THE ONLY THING IN TODAY'S MARKET THAT'S A CERTAINTY IS CHANGE.

The well-known difficulties in supplying seasonal products such as fresh vegetables year-round favors international trade and increased global integration in the fresh vegetable sector.

In an era of consolidation, small growers are opting to sell their product collectively through an all-in-one marketer/broker/shipper/exporter. Such companies

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VEGETABLES ARE HUGE IN CALIFORNIA!

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are able to leverage both the conventional and organic produce of many smaller growers into contracts with larger retailers and hypermarkets that desire year-round product.

Through this collective selling arrangement, small growers can do well, even in a environment where large contracts with consolidators prevail. And produce marketing companies such as these also value export market savvy as a necessity, considering the highly competitive domestic market.

The food service sector keeps growing in importance as a market for vegetable grower/shippers.

The PMA food service show, in its sixth year, provides a venue in Monterey, Calif., for vegetable and fruit companies to make key business contacts with the food service industry as companies depend more and more on this sector for sales.

With regard to new market prospects, the hottest topic on vegetable exporters' lips was China's accession to the WTO and its implications for their industry.

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Crunching Some Mighty Numbers

Vegetables are huge in California! The largest producer of horticultural commodities in the United States, this one state contributed more than 50 percent by volume of the nation's major vegetable production in 1998.

Changes in Industry Structure

The growing global demand for year-round availability of a wide variety of high-quality fresh produce is shaping and changing the vegetable industry. Consolidation of buyers is occurring throughout the global food distribution system, led by northern Europe and the United States. This buyer consolidation has increased demand for consistent volume and quality of produce.

Buyers are developing relationships with suppliers who are equipped to reliably and consistently bring them produce that meets their specifications.

Large-scale suppliers must take risks and incur costs related to producing crops in several climatically different growing regions on a year-round basis.

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The Fresh-Cut You-Name-It Situation

Prior to the early to mid-1990s, the vast majority of fresh-cut produce was sold in food service channels. Then, growing consumer demand for healthful and convenient food began to merge with advances in postharvest technology and handling. Result: improved quality, presentation and shelf-life of fresh-cut vegetables at retail.

Packaged salads, broccoli and cauliflower florets, sliced mushrooms, stir-fry vegetable mixes, baby carrots, carrot and celery sticks, pre-cut vegetables with cheese sauces in microwaveable trays and vegetable dips are all examples of attempts to add value to produce without losing the fresh, natural image of U.S. produce that has tended to work well overseas.

Better film technology for produce bags and improved store-level temperature management have helped the fresh-cut industry overcome its initial growing pains. It is clear that more and more overseas consumers and food service users are willing to pay for convenience-oriented produce.

Although fresh-cut products for retail are gaining ground, the biggest part of the fresh-cut industry remains to be for food service, estimated at $8-10 billion.

In response to slower overall growth rates, the fresh-cut vegetable and salad industry has consolidated with many local and regional players that have been acquired by larger firms. Marginal players have been squeezed out of the business entirely. Today, five California-based firms control over 90 percent of total retail packaged salad sales. The total retail salad industry is valued at $1.2 billion.

In some instances, California grower-shippers have developed joint ventures with regional processors to expand distribution of their brands into new geographic markets such as the United Kingdom.

MORE AND MORE OVERSEAS CONSUMERS AND FOOD SERVICE USERS ARE WILLING TO PAY FOR CONVENIENCE-ORIENTED PRODUCE.

Food Service Brings in Bucks

From California's fertile Central Valley to the Mexican border, agricultural exporters recognize that quality and service are now a "given." In what is a highly competitive market, these suppliers know they must deliver the exact product specified at the right price, on time. Overseas customers are people to be catered to in the specifics of what they want–size, quality and packaging–or they will look for product elsewhere. ■

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OS49015

Fact File

Turnaround Time for Agricultural Exports

by Ernest Carter

The gain was modest, but it was the direction that counted most. After three straight annual declines, fiscal 2000 signaled a welcome shift in momentum for U.S. agricultural exports.

Like a ship reversing course, export value advanced 3.5% to $50.9 billion. Bulk export volume increased 2% to 155.4 million metric tons, the highest since 1995.

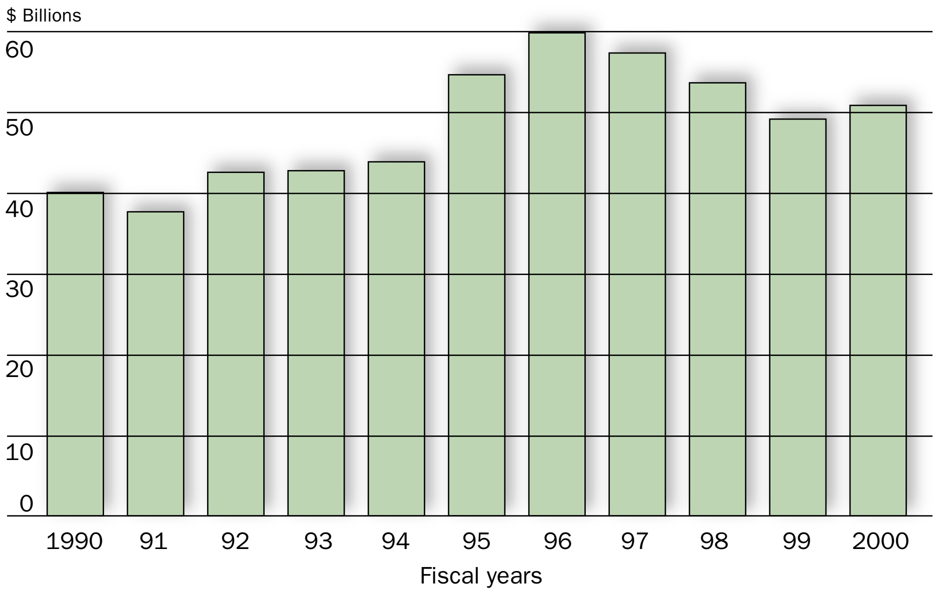
Forecasters have projected a few billion dollars in further sales growth this year–additional confirmation that a turnaround has finally come. During the recent slump, U.S. agricultural exports withered from $60 billion in 1996 to $49 billion in 1999.

Last year's rally was held in check by continued large global grain and oilseed supplies, which kept a lid on prices. A strong U.S. dollar compounded the problem. But the ongoing recovery in Asian markets was a big plus, as were record-setting exports of consumer-oriented agricultural products, fueled by sharp export gains to our NAFTA partners Mexico and Canada.

As for U.S. forestry and fishery products, exports of solid wood products rose 4% to $6.3 billion in fiscal 2000. Fishery product exports climbed nearly 8% to $2.8 billion. Altogether, U.S. exports of agricultural, wood and seafood products totaled $59.9 billion–up 4% from 1999.

On the import side, America's appetite continued to grow, boosting agricultural imports to a record-high $38.9 billion. But exports maintained a solid lead, generating a $12-billion U.S. agricultural trade surplus last year. Over the last 5 years, the surplus has ranged from $11.9 billion in 1999 to a high of $27.4 billion in fiscal 1996.

U.S. Agricultural Exports Score a Gain in Fiscal 2000 After Three Straight Years of Declines



For Bulk Agricultural Exports, Flat Performance Despite Some Volume Gains

For bulk commodities, U.S. tonnage was up in fiscal 2000 thanks to soybeans and cotton, but prices were the spoiler. Export value remained flat at $18.6 billion. In view of the 1997-99 declines, zero change was the best result in four years. Grains endured another year of global glut and export competition from China. U.S. corn sales to South Korea fell sharply as that country turned to China for the lion's share of its imports. U.S. wheat exports increased to Egypt, the Philippines and Taiwan, but not enough to offset slower sales to other markets. Soybeans hit a new high to China, up 123% to $833 million, and total U.S. soybean export volume also set a record. With a larger U.S. crop and strong foreign demand, cotton exports rebounded 39% in value and 68% in volume, with big gains to Mexico and Turkey.

	FY 1999	FY 2000	Change
Commodity	*—$ million—*		*Percent*
Coarse grains	5,607	5,281	-6
Soybeans	4,757	5,074	+7
Wheat	3,664	3,395	-7
Cotton	1,323	1,833	+39
Tobacco	1,376	1,245	-10
Rice	1,015	908	-11
Pulses	270	240	-11
Peanuts	189	238	+26
Other	379	374	-1
Total	**18,579**	**18,587**	**0**

Note: Fiscal years are October-September (i.e., fiscal 2000 ran Oct. 1, 1999-Sept. 30, 2000).

Exports of Intermediate Agricultural Products Up Slightly

U.S. exports of intermediate products increased about 1% overall to $10.8 billion in fiscal 2000. Among individual product categories, gainers and losers were nearly evenly divided. Hides got a big boost from a 56% increase to South Korea and from record sales–$172 million–to China. However, U.S. soybean oil exports to China shriveled to $12 million, down from $119 million in 1999 and $296 million in 1998, as China imported more raw soybeans to keep crushing facilities on the coast busy. Live animal exports were up 20% to an all-time high of $708 million, with strong sales to Canada. For intermediate products as a group, the U.S. export record stands at $12.3 billion, set in 1997.

	FY 1999	FY 2000	Change
Commodity	*—$ million—*		*Percent*
Feeds & fodder	1,552	1,715	+11
Hides & skins	1,106	1,460	+32
Soybean meal	1,066	1,226	+15
Veg. oils (excl. soy oil)	982	819	-17
Planting seeds	806	783	-3
Live animals	589	*708	+20
Sugar, sweeteners, & beverage bases	688	691	0
Animal fats	529	408	-23
Soybean oil	607	279	-54
Wheat flour	175	128	-27
Other	2,547	2,555	0
Total	**10,647**	**10,773**	**+1**

**Denotes a record-high export value.*

Consumer Food Exports Back on Record Pace

With Asia's economic upturn and continued strong demand from our NAFTA partners, U.S. exports of consumer foods and beverages returned to their record-setting ways. Export value rose 8% to $21.5 billion in fiscal 2000, the highest ever. Meats drove most of the gain, but there were also new records for dairy products, processed fruits and vegetables, fresh vegetables, snacks, pet foods and breakfast foods. Red meat sales sizzled to leading Asian markets, as well as to Mexico and Russia. Beef and pork export volumes rose, as did prices. Poultry benefitted from increased shipments. For consumer foods as a group, records were set to Canada, Mexico, South Korea and China, among others. For the second straight year, consumer foods topped bulk commodities in export value, accounting for 42% of total U.S. agricultural exports, up from 24% in 1990.

	FY 1999	FY 2000	Change
Commodity	*—$ million—*		*Percent*
Meat, poultry, dairy			
Red meats	4,397	*5,329	+21
Poultry meat	1,755	1,962	+12
Dairy products	906	*995	+10
Eggs & products	184	177	-4
Fruits & vegetables			
Proc. fruit/veg.	2,086	*2,093	0
Fresh fruit	1,843	1,997	+8
Fresh vegetables	1,102	*1,221	+11
Fruit/veg. juices	*769	753	-2
Snack foods	1,345	*1,495	+11
Tree nuts	1,080	987	-9
Wine & beer	749	721	-4
Pet foods	688	*764	+11
Breakfast cereals & pancake mix	371	*371	0
Nursery products & cut flowers	*272	256	-6
Other	2,399	*2,424	+1
Total	**19,945**	***21,545**	**+8**

**Denotes a record-high export value.*

Major Agricultural Markets on the Mend

In a reversal of the 1999 lineup, seven of the top 10 U.S. agricultural export markets were bigger buyers in fiscal 2000. Two rang up record purchases, as exports to Canada topped $7.5 billion and exports to Mexico climbed to $6.3 billion. A few years ago, the 15-nation European Union (EU) was our second-largest market after Japan. Then, in fiscal 1999, Canada bumped the EU to No. 3. Last year, for the first time, Mexico edged past the EU. NAFTA markets are humming, but there was more good news in Asia. Exports to China rebounded 49% from the previous year's low, and sales to Japan were up 5%–the first increase for our No. 1 market since 1996. From 1996 to 1999, U.S. agricultural exports to Asian Pac Rim nations fell by more than $7 billion, or nearly 30%. Last year, exports to these markets started on the recovery trail, increasing 7%.

	FY 1999	FY 2000	Change
Market	*—$ million—*		*Percent*
Japan	8,920	9,337	+5
Canada	6,956	*7,522	+8
Mexico	5,676	*6,315	+11
European Union	6,863	6,217	-9
South Korea	2,456	2,560	+4
Taiwan	2,045	2,011	-2
China	989	1,474	+49
Hong Kong	1,263	1,254	-1
Egypt	934	1,056	+13
Philippines	732	865	+18
Rest of world	12,337	12,294	0
Total	**49,171**	**50,905**	**+4**

Data include bulk, intermediate and consumer-oriented agricultural exports.

**Denotes a record-high export value.*

Wood Product Sales Log an Upturn

After sprouting to a record $7.5 billion in 1997, U.S. wood product exports hit a snag for the next two years. Blame the slump in the Japanese housing market and record U.S. housing starts. Fiscal 2000 brought a partial comeback, as U.S. export value increased 4% to nearly $6.3 billion. Sales to Canada–currently our No. 1 wood products market–set another record, topping $1.8 billion, as demand continued to boom for U.S. hardwoods (for furniture manufacture), logs and panel products. Exports to Japan, where housing starts remain weak, dropped for the fifth straight year. But value was up 7% to the EU and 11% to Mexico. U.S. hardwood lumber, panel products and "other" value-added exports reached new highs in several major markets.

	FY 1999	FY 2000	Change
Commodity	*—$ million—*		*Percent*
Logs & chips	1,719	1,661	-3
Lumber			
Hardwood	1,325	*1,443	+9
Softwood/treated	788	783	-1
Panel products	921	1,043	+13
Other	1,229	*1,323	+8
Total	**5,983**	**6,252**	**+4**

Seafood Exports Show Solid Gains

Fish and seafood products reeled in a second year of growth, as U.S. export value rose 8% to $2.8 billion. New records were set to Canada, South Korea and China, with sales to China jumping 65% to $124 million. Fresh and frozen (whole/eviscerated) salmon exports were off 3% in value, mainly due to an 18% decline to Japan, but canned salmon exports were up 40% to a record $201 million, thanks to strong British and Canadian demand. Japan and the much smaller market of South Korea contributed about equally to the growth in fish egg exports, while the decline for crabs and crabmeat was primarily in Japan. The U.S. record for total seafood exports to all countries remains at $3.3 billion, set in fiscal 1992.

	FY 1999	FY 2000	Change
Commodity	*—$ million—*		*Percent*
Salmon			
Whole/eviscerated	355	344	-3
Canned	144	*201	+40
Roe & urchin (fish eggs)	372	424	+14
Surimi (fish paste)	287	280	-2
Crab/crabmeat	151	113	-25
Other	1,270	1,416	+12
Total	**2,579**	**2,778**	**+8**

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The Dominican Republic: Growing Market for Livestock and Related Products

By Carlos G. Suárez

If you export livestock or animal products, don't discount the Dominican Republic. This small country, sandwiched between the North Atlantic and the Caribbean, has always packed a punch in rendered products, but now has more potential for fats and oils, raw hides, meat and livestock genetics as well.

U.S. Rendered Products Are Preferred

The United States is the leading supplier of tallow, yellow grease and inedible fats and oils to the Dominican Republic. Exporters should be aware, however, of new factors that could affect demand.

Practically all the tallow is used for soap, and most of it comes from the United States.

But if more Dominican consumers become wise to the wonders of detergents, and earn enough to afford them, the market for tallow will taper as detergents slowly gain ground.

For now, however, the tallow market is strong because the alternative is just too costly for most consumers in the Dominican Republic. It is difficult to accurately estimate domestic tallow production, but industry sources suggest it is about 2,000 metric tons a year. That is less than 10 percent of the total domestic requirement.

Domestic soap demand has remained relatively stable since 1995. Dominican soap makers meet that demand and produce enough to sell significant volumes to nearby nations, particularly Haiti.

Future growth in tallow exports will

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be determined almost exclusively by the price and availability of substitutes such as domestic or imported crude palm oil.

So what do the trade numbers show? In fiscal year 1998, the United States exported 23,995 metric tons of inedible tallow. For fiscal year 1999, exports went up slightly to 24,054 tons, an increase valued at about $8 million. The first eight months of fiscal year 2000, however, suggest a decrease.

Animal Feed: A New Lease on Grease

Another rendered product important to the United States is yellow grease, a term for fat that's recycled after restaurant food preparation. While yellow grease is not refined for sale in the Dominican Republic, it has proved to be an economical source of fat for the feed industry, mainly used in hog and poultry rations. In recent years, there has been a shift to the less expensive inedible fats and oils category.

Since modern breeds of poultry and swine require more fat in their feed formulations, there is growth potential in this market. Local production is minimal, so the industry depends almost exclusively on imports from the United States, which have averaged about 12,500 metric tons annually during the last five years. This includes a dramatic increase to 22,500 metric tons in 1999, valued at $6.4 million.

ONE STRATEGY TO BECOME MORE COMPETITIVE IN THIS MARKET IS THROUGH COLLABORATIVE BREEDING EFFORTS AND PARTICIPATION IN LIVESTOCK SHOWS.

Beef: The Challenge of Scarcity

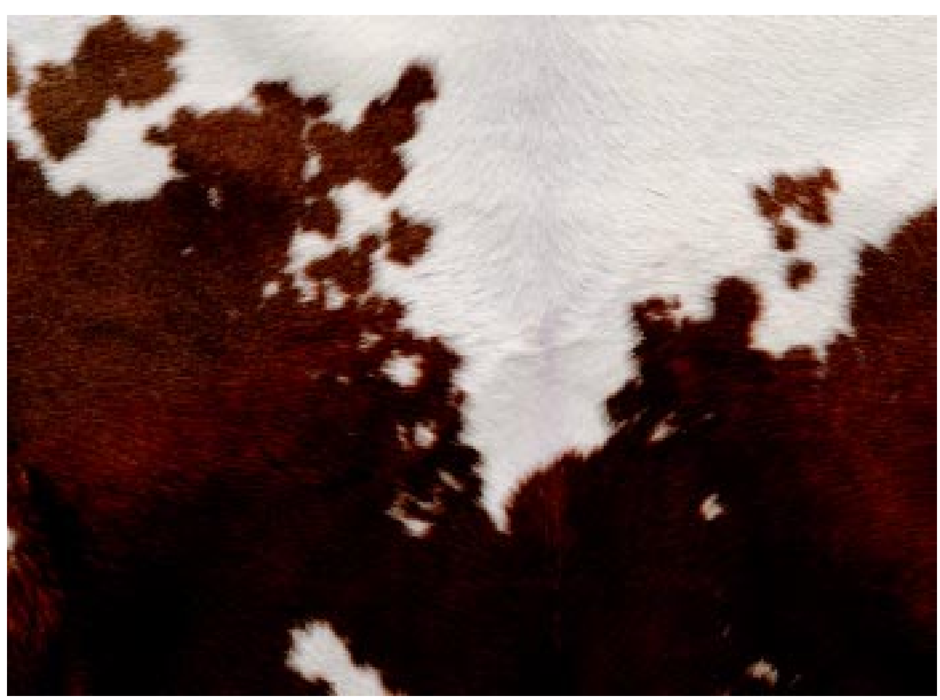
Over 90 percent of the Dominican Republic's meat imports come from the United States. The only competition comes from specialty cuts and cured products from Spain and some industrial-grade meat from Central America.

In fact, the Dominican Republic is the strongest consumer of U.S. livestock and meats in the region, reaching historical highs in fresh, chilled, frozen and processed beef and veal.

The Dominican Republic's domestic cattle industry has suffered not only from Hurricane Georges in 1998, but also from drought in 1999 and 2000. Weather woes also damaged grazing pasture and cropland.

The result: less domestic beef and higher prices.

In addition, the tourist industry continues to need a steady supply of quality beef, which further depletes supply and keeps prices high.



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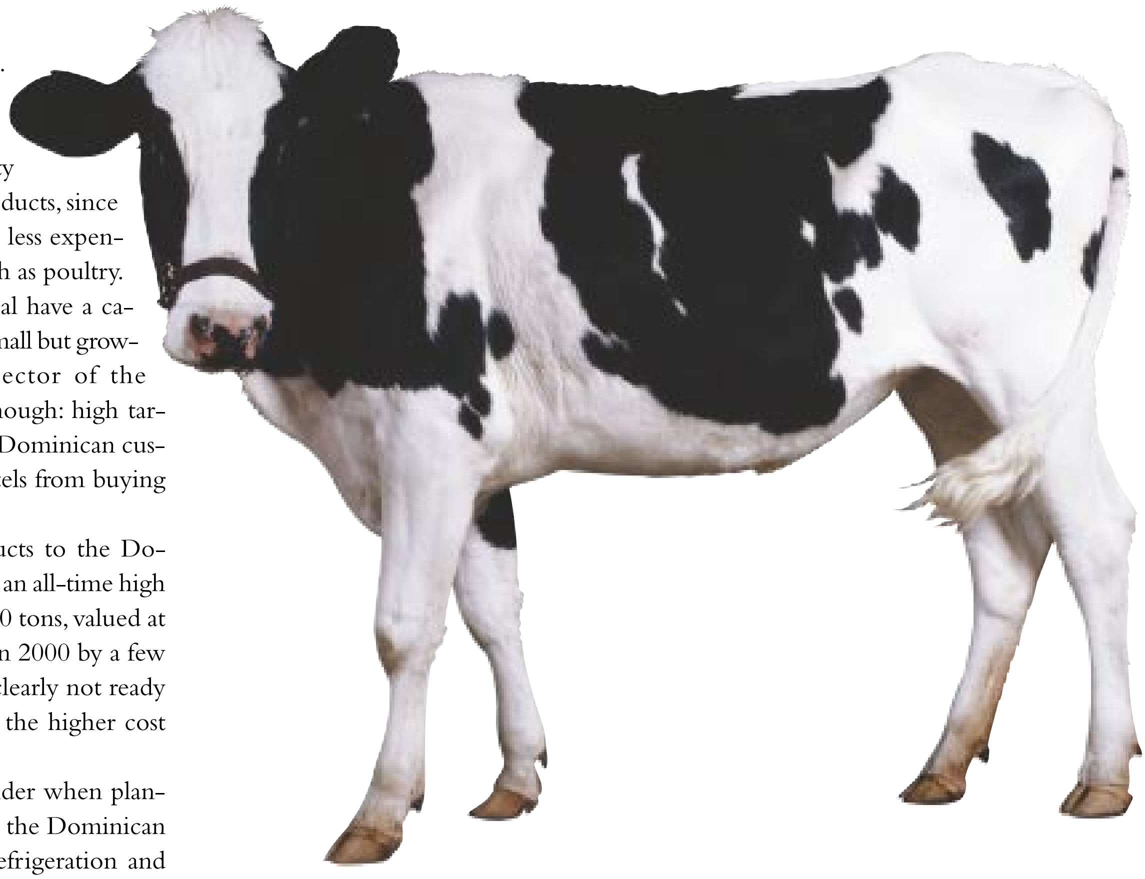

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The upshot for U.S. beef producers? High-end hotels and restaurants present the best opportunity for promotion of their products, since consumers tend to choose less expensive sources of protein such as poultry.

American beef and veal have a cachet that resonates with a small but growing quality-conscious sector of the market. Be forewarned, though: high tariffs and problems clearing Dominican customs discourage some hotels from buying U.S. beef.

Exports of beef products to the Dominican Republic reached an all-time high in 1999 of more than 3,000 tons, valued at $5 million. It grew again in 2000 by a few tons. Local production is clearly not ready to satisfy demand–despite the higher cost of imported meat.

One problem to consider when planning to sell beef or veal to the Dominican Republic is the limited refrigeration and cold-storage capacity. Before you close a sale, ensure that your buyer can keep the meat cold.

Raw hides climbing

The Dominican raw hide processing industry supplies nearby countries. In addition to importing leather and skins for shoe manufacturing industries that operate off-shore, raw hides are imported for processing into good-quality leather for the domestic and export market. Imports of raw hides from the United States increased from 75,000 pieces in 1998 to 142,000 hides in 1999, valued at $6 million.

Outreach Opportunities in Genetics

Perhaps the best long-term opportunities are for U.S. suppliers of bovine genetics. Dominican farmers and ranchers have a real incentive to restore their cattle herds, thanks to rising beef and milk prices.

The cattle breeds most common in the Dominican Republic include Brahman, Brown Swiss and Holstein. All three are routinely crossed with the domestic *criollo*.

Simple genetic improvements are usually achieved through artificial insemination, using local and imported semen from the United States and Canada, or by importing quality breeding bulls. Embryo transfer is not commonly practiced.

One strategy to become more competitive in this market is through collaborative breeding efforts and participation in livestock shows.

FAS has recently joined forces with other agencies to work with local livestock organizations, and has also participated in the country's largest livestock show. The hundreds of Dominican and foreign visitors who visited the booth last March were also offered access to sources of technical information.

U.S. livestock associations are also working with USDA and PATRONATO, the Dominican Republic's National Agriculture and Livestock Organization. The American Holstein, Brown Swiss and Brahman Associations are involved at PATRONATO's annual livestock show held in Santo Domingo, funding judges and presenting seminars. ■

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Trans-World Genetics Receives USDA Export Award

Trans-World Genetics Ltd., of Sheboygan Falls, Wisc., is the first recipient of the Edward R. Madigan U.S. Agricultural Export Excellence Award.

Trans-World Genetics received the award because of the outstanding caliber of its entrepreneurial efforts to create new foreign markets and increase exports of U.S. agricultural products.

Founded in 1974, Trans-World Genetics Ltd. is a leader in the production, distribution and international marketing of frozen bull semen, frozen bovine embryos and live breeding stock and in the design of multinational progeny testing programs. The company has a presence in more than 20 countries.

Created by the Federal Agriculture Improvement and Reform Act of 1996, the Madigan Award recognizes entrepreneurial efforts to advance U.S. food and agricultural exports. It is named in honor of Edward R. Madigan, former congressman from Illinois and U.S. Secretary of Agriculture during 1991-1993.

WTO Decision Opens Market in Korea for U.S. Beef Exports

A World Trade Organization (WTO) Appellate Body report has opened the doors to Korea's market for U.S. beef exports. The report affirmed the findings of a WTO panel that concluded last July that Korea's import regime for beef discriminates against imports from the United States and other foreign suppliers. The Appellate Body also found that Korea did not compute its domestic support for beef according to provisions of the WTO Agreement on Agriculture.

Korea is already the third most important export market for U.S. cattle ranchers. Elimination of Korea's WTO-inconsistent marketing restrictions will enable U.S. exporters to help satisfy the country's increasing demand for imported beef.

Chilean Market Opens to U.S. Avocados

Chile will now allow imports of California avocados, a potential $2-million boost to the industry.

Chile agreed to accept California avocados if accompanied by USDA's Animal and Plant Health Inspection Service (APHIS) phytosanitary certificates that indicate that the fruit does not come from areas of California with exotic fruit flies. APHIS also must verify that the shipment is free of pests.

Kosherfest 2000 Largest Ever

Last November, at the Meadowlands Exposition Center in Secaucus, New Jersey, FAS staff met with U.S. food companies exploring export options and foreign buyers looking for American kosher food products.

Kosherfest 2000 had the largest turnout on record with 12,000 visitors, 450 booths, and 300 company exhibitors–an increase of about 50 exhibitors from 1999. Copies of an FAS kosher export market report were distributed, the FAS web site was demonstrated, foreign buyers were directed to overseas offices and FAS presented findings about international kosher markets at an export seminar. A number of export-ready companies expressed interest in exhibiting product at the upcoming 2001 Eurokosher Trade Show, May 15-16, 2001, in Paris.

U.S. Cheese Exports to Mexico Take Off

There has been a dramatic recovery in U.S. cheese exports to Mexico. In fiscal year 2000, exports totaled $21 million, a 46-percent increase over the previous year. These numbers come close to the pre-peso crisis level of $24 million in fiscal year 1994. U.S. cheese prices have been very competitive and as of Jan. 1, 2000, tariffs on U.S. cheeses have been reduced under NAFTA by 2-4 percent. The U.S. Dairy Export Council (USDEC) marketing programs have also made inroads into the retail sector with a "Cheese Road Show"–a series of in-store promotions allowing consumers to sample U.S. cheeses. Food service promotions at VIPS, TGI Fridays, Chili's and other restaurants have helped introduce menu items using new U.S. cheese varieties to the market.